

## Message Text

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PAGE 01 DAR ES 02496 251023Z

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ACTION AF-18

INFO OCT-01 ISO-00 EB-11 DRC-01 PA-04 PRS-01 USIA-15 SP-03

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OMB-01 CEA-02 CG-00 DOTE-00 L-03 H-03 /122 W

----- 116645

R 241145Z JUL 74

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 5859

INFO AMEMBASSY BUJUMBURA

AMEMBASSY KIGALI

AMEMBASSY LUSAKA

AMEMBASSY NAIROBI

USDOC WASHDC

AMCONSUL ZANZIBAR

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E.O. 11652: N/A

TAGS: EGEN, ETRN, PFOR, XW

SUBJECT: EAST AFRICAN COMMUNITY ANNOUNCES AGREEMENT TO END  
CURRENT FINANCIAL CRISIS

REF: DAR ES SALAAM 2487 (NOTAL) AND A-107

1. GOVERNMENT-OWNED DAILY NEWS OF JULY 24 BANNERS ANNOUNCEMENT THAT "EAST AFRICAN COMMUNITY (EAC) PARTNER STATES HAVE AGREED ON THE TRANSFER OF FUNDS FROM THE REGIONAL OFFICES OF THE CORPORATIONS TO THEIR RESPECTIVE HEADQUARTERS TO ENABLE THEM TO MEET LOCAL AND INTERNATIONAL OBLIGATIONS." NEWSPAPER OUTLINES COMPLICATED FINANCIAL PACKAGE WHICH INVOLVES PARCELING OUT OF ROUGHLY \$30 MILLION BY MEMBER STATES AMONG THE FOUR COMMUNITY-OWNED CORPORATIONS. MOST OF THE \$30 MILLION IS TO BE TRANSFERRED ON AUGUST 1 WITH OTHER PAYMENTS (MOSTLY THOSE BY UGANDA) TO BE MADE OVER NEXT SIX MONTHS. NEWS STORY EXPLAINS FORMULA WORKED OUT IN ARUSHA AT THE END OF LAST WEEK BY EAC FINANCE COUNCIL BUT, AS REPORTED IN REFTEL, LOOSE ENDS OF FINANCIAL AGREEMENT APPARENTLY

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PAGE 02 DAR ES 02496 251023Z

TIDIED UP AT NAIROBI MEETING OF PARTNER STATE FINANCE MINISTERS

ON JULY 22.

2. EMBOFF DISCUSSED RESOLUTION OF EAC FINANCIAL CRISIS WITH EAST AFRICAN HARBOURS CORPORATION FINANCIAL CONTROLLER (OLIGA), WHO ATTENDED JULY 22 MEETING IN NAIROBI AND VOICES HIS PLEASURE WITH RESULTS. ACCORDING TO OLIGA, HARBOUR CORPORATION WILL FUNCTION MUCH AS IT DID BEFORE FINANCIAL EMBROGLIO OF LAST SIX MONTHS. ONLY EXCEPTION IS THAT FEW ROUTINE PAYMENT FUNCTIONS ARE TO BE PASSED TO FINANCIAL OFFICERS OF EACH PORT. ALL BORROWING, PLANNING, AND CENTRAL MANAGEMENT FUNCTIONS OF HARBOURS CORPORATION TO REMAIN MUCH AS THEY WERE BEFORE. ONE INDICATION OF HOW SUCCESSFUL NEGOTIATIONS WENT FROM STANDPOINT OF HARBOURS CORPORATION IS OLIGA'S COMMENT "WE ARE SOMEWHAT DISAPPOINTED" THAT TRANSFER OF FUNDS COULD NOT TAKE PLACE ON JULY 23, AS ORIGINALLY PLANNED AND DELAY, TO AUGUST 1, REQUIRES CORPORATION TO PAY ADDITIONAL OVERDRAFT CHARGES. IN REPLY TO QUESTION REGARDING WHY NEGOTIATIONS WERE SO SUCCESSFUL, OLIGA EXPLAINED THAT CREDIT GOES TO IBRD, WHICH HAD EARLIER SENT SENIOR OFFICIALS TO DISCUSS EAC DEBT REPAYMENTS PROBLEMS (SEE REPAIR) WITH THE SENIOR OFFICIALS OF THE PARTNER STATES. KENYA, TANZANIA AND UGANDA WERE BLUNTLY TOLD THAT UNLESS FINANCES OF THE FOUR CORPORATIONS WERE PUT IN ORDER NOT ONLY WOULD IBRD SUSPEND LENDING TO THESE EAC INSTITUTIONS BUT NO LOANS WOULD BE MADE TO PARTNER STATES AS WELL. OLIGA'S CONCLUDING COMMENT WAS THAT IBRD REPS SPOKE "IN THE ONLY LANGUAGE (PARTNER STATES) WERE ABLE TO UNDERSTAND."  
LUCIUS

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